Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Chair of the National Energy Board

Report on the Financial Statements

I have audited the accompanying financial statements of the National Energy Board, which comprise the statement of financial position as at 31 December 2011, and the statement of operations, statement of equity of Canada and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

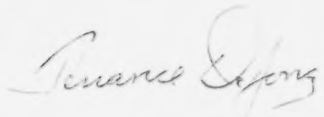
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Energy Board as at 31 December 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the transactions of the National Energy Board that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Section 24.1(1) of the *National Energy Board Act* and the National Energy Board Cost Recovery Regulations.



Terrance DeJong, CA
Assistant Auditor General
for the Auditor General of Canada

16 July 2012
Edmonton, Canada

National Energy Board | Office national de l'énergie

Statement of Management Responsibility for Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended December 31, 2011 and all information contained in these statements rests with the management of the National Energy Board (NEB or the Board). These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Board's financial transactions.

Management maintains an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable regulations, legislation, authorities, and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; and through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Board.

The NEB is responsible for the accuracy of the billings to companies whose facilities are subject to its regulation. In order to fulfil its accounting and reporting responsibilities on cost recovery, management maintains a weekly time reporting system that records the efforts of its staff among the regulated commodities. In accordance with the *National Energy Board Cost Recovery Regulations*, the Board's costs are allocated to the commodities on the basis of the preceding fiscal year's accumulated time.

The Auditor General of Canada, the independent auditor for the Government of Canada, has expressed an opinion on the fair representation of the financial statements of the National Energy Board.

Gaétan Caron
Chair and Chief Executive Officer

Ed Jansen, CA
Chief Financial Officer

Calgary, Canada
July 16, 2012

Canada

NATIONAL ENERGY BOARD

Statement of Financial Position

As at December 31
(in thousands of dollars)

	2011	2010 *Restated* (Note 3)
ASSETS		
Financial Assets		
Due from Consolidated Revenue Fund (Note 3)	$ 4,841	$ 3,815
Accounts receivable and advances (Note 5)	30,011	28,275
Total Financial Assets	34,852	32,090
Non-Financial Assets		
Prepaid expenses	208	130
Tangible capital assets (Note 6)	5,736	4,899
Total Non-Financial Assets	5,944	5,029
Total Assets	**$ 40,796**	**$ 37,119**
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities	$ 5,328	$ 4,223
Other payables (Note 9)	15,700	-
Vacation pay and compensatory leave	2,379	2,123
Employee future benefits (Note 10)	7,517	6,912
Total Liabilities	30,924	13,258
Equity of Canada	9,872	23,861
Total Liabilities and Equity of Canada	**$ 40,796**	**$ 37,119**

Contractual obligations and contingent liabilities (Note 13)

The accompanying notes form an integral part of these financial statements.

Approved by:

Gaétan Caron
Chair and Chief Executive Officer

Ed Jansen, CA
Chief Financial Officer

NATIONAL ENERGY BOARD

Statement of Operations

For the Year Ended December 31
(in thousands of dollars)

	2011	2010
Revenues:		
Energy regulation	$ 37,563	$ 32,261
Energy information	8,560	7,939
Internal services	19,068	18,358
	65,191	**58,558**
Expenses:		
Energy regulation	41,101	36,041
Energy information	9,366	8,870
Internal services	20,865	20,452
	71,332	**65,363**
Net Cost of Operations	**$ (6,141)**	**$ (6,805)**

Segmented information (Note 15)

The accompanying notes form an integral part of these financial statements.

Statement of Equity of Canada

For the Year Ended December 31
(in thousands of dollars)

	2011	2010 *Restated* (Note 3)
Equity of Canada, beginning of year	$ 23,861	$ 20,892
Net cost of operations	(6,141)	(6,805)
Net cash provided (to) by Government	(17,241)	1,283
Change in due from the Consolidated Revenue Fund	1,026	421
Services provided without charge by other government departments (Note 12)	8,377	8,070
Transfer of assets and liabilities (to) from other government departments (Note 6)	(10)	-
Equity of Canada, end of year	**$ 9,872**	**$ 23,861**

The accompanying notes form an integral part of these financial statements.

NATIONAL ENERGY BOARD

Statement of Cash Flow

For the Year Ended December 31
(in thousands of dollars)

	2011	2010
Operating activities		
Cash received from:		
Regulatory revenue and other fees	$ (79,156)	$ (57,573)
Cash paid for:		
Salaries and employee benefits	48,182	45,281
Professional and special services	5,639	5,484
Travel	2,762	2,123
Communications	936	1,211
Accommodation	1,183	944
Utilities, materials and supplies	871	841
Other expenses	26	33
	59,599	55,917
Cash provided by operating activities	**(19,557)**	**(1,656)**
Capital investment activities		
Acquisition of tangible capital assets (Note 6)	2,316	2,939
Net cash provided (to) by Government of Canada (Note 4)	**$ (17,241)**	**$ 1,283**

The accompanying notes form an integral part of the financial statements.

1. Authority, Objectives and Operations

The National Energy Board (NEB or the Board) is an independent federal regulator established in 1959 to promote safety and security, environmental protection and economic efficiency in the Canadian public interest for the regulation of pipelines, energy development and trade. The Board reports to Parliament through the Minister of Natural Resources. The NEB was established under the *National Energy Board Act* (NEB Act) and is designated as a department and named under Schedule I.1 of the *Financial Administration Act*.

The Board's responsibilities can be framed into the following program activity architecture which is also the basis for its segmented Statement of Operations:

I. Energy Regulation

The Board's responsibilities include regulating the construction and operation of interprovincial and international oil and gas pipelines, international power lines, and designated interprovincial power lines. The Board also regulates the tolls and tariffs for the pipelines under its jurisdiction as well as the export of natural gas, oil, natural gas liquids and electricity, and the import of natural gas. Additionally, the Board regulates oil and gas exploration and development on frontier lands and offshore areas not covered by provincial or federal management agreements.

II. Energy Information

The Board monitors aspects of energy supply, demand, production, development and trade of all energy commodities that fall within the jurisdiction of the federal government. The Board publishes periodic assessments of Canadian supply and demand of energy and natural gas markets to inform Canadians on trends, events and issues which may affect Canadian energy markets.

III. Internal Services

The Board ensures that it has the capacity to deliver on its mandate by its commitment to enhancing its organizational performance by developing, nurturing and maintaining expertise in its people strategy.

The NEB is an independent, federal, quasi-judicial regulatory tribunal guided by the principles of natural justice and procedural fairness. The Board is a court of record and has certain powers of a superior court with respect to the attendance, swearing and examination of witnesses; the production and inspection of documents; the enforcement of its orders; the entry on and inspection of property; and other matters necessary or proper for the due exercise of its jurisdiction. Aside from rare exceptions, the Board's regulatory decisions and the accompanying Reasons for Decision are issued as public documents.

2. Significant Accounting Policies and Provisions of the Regulations

These financial statements have been prepared in accordance with Treasury Board accounting policies which are based on Canadian generally accepted accounting principles (GAAP) for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from GAAP, except as disclosed in Note 14 – Net Financial Assets Indicator.

a) Parliamentary authorities

The NEB is financed by the Government of Canada (Government) through Parliamentary authorities. Financial reporting of authorities provided to the NEB do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 4 provides a high-level reconciliation between the different bases of reporting.

b) Net cash provided by/to Government

The NEB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the NEB is deposited to the CRF and all cash disbursements made by the NEB are paid from the CRF. The net cash provided by / to Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Change in net position in the Consolidated Revenue Fund

Amounts due from/to the Consolidated Revenue Fund (CRF) are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the NEB is entitled to draw from the CRF without further appropriations to discharge its liabilities.

d) Revenues

i) Regulatory authority

The NEB has the authority to charge those companies that it regulates, in accordance with sub-section 24.1(1) of the NEB Act, the costs attributable to the NEB's operations in carrying out its related responsibilities. Under the National Energy Board Cost Recovery Regulations (Regulations) approved by Treasury Board, the NEB recovers, from the companies that it regulates, the cost of its operations, effective January 1, 1991. The Board also has the delegated authority to determine what costs will be excluded from program expenditures for cost recovery purposes.

ii) Non-recoverable costs

The NEB approved the exclusion of costs related to the regulation of, exploration for, and development of oil and gas on Frontier Lands and its public review of Arctic safety and environmental requirements for offshore drilling. These costs are excluded when calculating the levies to be charged to companies, but are recognized as expenses in the Statement of Operations and thus in the determination of the Equity of Canada account.

iii) Allocation of recoverable operating costs

In accordance with Sections 12 and 13 of the Regulations, the recoverable costs for a given calendar year are allocated to the oil, gas and electricity commodities proportionately on the basis of the actual time spent by Board members and employees during the preceding fiscal year (April 1 to March 31).

iv) Expenses

Expenses are recorded on the accrual basis. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

i) Allocation of program activity costs

Program activity cost that support the NEB's mandate to deliver Energy Regulation, Energy Information and Internal Services are allocated based on actual salary expenditures for each activity.

e) Employee future benefits

i) Pension benefits

Eligible employees participate in the Public Service Pension Plan (Plan) administered by the Government. The NEB's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. This amount is currently based on a multiple of an employee's required contributions and may change from time to time depending on the experience of the Plan.

ii) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

f) Services provided without charge by other government departments

Services provided without charge by other government departments for accommodation, the employer's contributions to the health and dental insurance plans, banking, legal and audit services are recorded as operating expenses based on their estimated costs. Amounts for services received without charge from other government departments are recoverable costs under the Regulations.

g) Accounts receivable

Accounts receivable are stated at amounts expected to be recoverable. A valuation allowance is recorded for receivables where recovery is considered uncertain.

h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more per unit, per bundle or purchased in bulk are recorded at their acquisition cost. Amortization is calculated on a straight line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Informatics hardware:	
PCs and accessories	3 years
Computer servers & accessories	5 years
Informatics software:	
Commercial software	2 years
In-house developed software	5 years
Machinery and equipment:	
Furniture	10 years
Audio visual equipment	5 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

The cost of software not yet in service forms the basis of the Assets under development account. Salaries, wages and benefits directly related to in-house developed software are included in the asset's cost. Assets under development are not amortized until they become available for use.

i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits, allowance for doubtful accounts and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

k) Future Accounting Changes

During 2011, amendments were made to Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The NEB will adopt the TBAS 1.2 changes for its financial statements for the year ending December 31, 2012. The significant future changes to the NEB's financial statements are described below.

Net debt (calculated as liabilities less financial assets) will be presented in the Statement of Financial Position. Accompanying this change, the NEB will present a Statement of Change in Net Debt and no longer present a Statement of Equity. Revenue and related accounts receivable will be presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. Government funding and transfers, as well as the credit related to services provided without charge by other government departments, will be recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, the NEB recognized these transactions directly in the Statement of Equity of Canada.

3. Retroactive Changes

During 2011, the NEB identified that amounts due from the Consolidated Revenue Fund should be recorded as an asset on the Statement of Financial Position. An adjustment in respect of prior periods has been recorded retroactively and the prior periods presented for comparison in the financial statements have been restated as follows:

(thousands of dollars)	2010 As previously stated	Effect of changes	2010 Restated
Statement of Financial Position:			
Financial Assets	$ 28,275	$ 3,815	$ 32,090
Equity of Canada	$ 20,046	$ 3,815	$ 23,861

4. Parliamentary Authorities

The NEB receives most of its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the NEB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of expenditures to current year authorities used

	2011	2010
	(in thousands of dollars)	
Net Cost of Operations	$ 6,141	$ 6,805
Adjustments for items affecting net cost of operations but not affecting authorities		
Amortization (Note 6)	(1,469)	(1,268)
Cost of services provided without charge by other Government departments (Note 12)	(8,377)	(8,070)
Change in employee severance benefits	(605)	579
Change in vacation pay and compensatory leave	(256)	(158)
Revenue not available for spending	65,191	58,558
	54,484	49,641
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisition of tangible capital assets (Note 6)	2,316	2,939
Current year authorities used	**$ 62,941**	**$ 59,385**

b) Reconciliation of net cash provided by Government to current year authorities used

	2011	2010
	(in thousands of dollars)	
Net cash provided (to) by Government	$ (17,241)	$ 1,283
Revenue not available for spending	65,191	58,558
Change in net position in the Consolidated Revenue Fund		
Change in accounts payable and accrued liabilities	1,105	460
Change in other payables	15,700	-
Change in accounts receivable and advances	(1,736)	(985)
Change in prepaid expenses	(78)	69
	14,991	(456)
Current year authorities used	**$ 62,941**	**$ 59,385**

5. Accounts Receivable and Advances

The following table presents the details of accounts receivable and advances:

	2011	2010
	(in thousands of dollars)	
Receivables from external parties:		
Outstanding provisional billing for current year	$ 18,515	$ 13,538
Billing adjustments: current year	5,818	5,194
prior years (Note 8)	5,194	8,996
Prior years' outstanding balances	1,728	3,055
Receivables from other government departments and agencies	416	361
Employee advances	70	47
	31,741	31,191
Less: allowance for doubtful accounts	(1,730)	(2,916)
Total accounts receivable and advances	**$ 30,011**	**$ 28,275**

6. Tangible Capital Assets

(in thousands of dollars)

	Cost				Accumulated Amortization				Net Book Value	
Capital Asset Class	Opening Balance	Acquisitions	Dispositions, & transfers	Closing Balance	Opening Balance	Amort. Expense	Disposals & write-offs	Closing Balance	2011	2010
Furniture & equipment	$2,202	$165	$29	$2,396	$649	$310	-	$959	$1,437	$1,553
Informatics hardware	2,272	441	-	2,713	1,550	270	-	1,820	893	722
Informatics software (in house)	4,476	242	1,561	6,279	2,951	652	-	3,603	2,676	1,525
Motor Vehicles	26	37	(26)	37	13	8	(16)	5	32	13
Leasehold improvements	1,686	20	80	1,786	1,164	229		1,393	393	522
Assets under Development	564	1,411	(1,670)	305	-	-		-	305	564
Total	$11,226	$ 2,316	$ (26)	$13,516	$ 6,327	$ 1,469	$ (16)	$ 7,780	$ 5,736	$ 4,899

The NEB transferred tangible motor vehicle assets with a net book value of $10,000 to Parks Canada on May 1, 2011.

7. Allocation of Recoverable Operating Costs

The recoverable operating costs for the year are calculated as follows:

	2011	2010
	(in thousands of dollars)	
Total expenses	$ 71,332	$ 65,363
Less: non-recoverable costs related to the regulation of Frontier Lands and review of offshore Arctic drilling	(6,171)	(6,856)
Recoverable operating costs (Note 8)	**$ 65,161**	**$ 58,507**

The allocation of recoverable operating costs to the commodities is based on actual time spent by Board members, officers and employees during the 2009-2010 fiscal year:

	2011		2010	
		(in thousands of dollars)		
Gas	52.79%	$ 34,387	52.46%	$ 30,681
Oil	39.34%	25,626	38.58%	22,564
Electricity	7.87%	5,126	8.96%	5,240
	100.0%	65,139	100.0%	58,485
Commodity pipelines		22		22
Recoverable operating costs (Note 8)		**$ 65,161**		**$ 58,507**

8. Billing Adjustment

	2011	2010	2009
	(in thousands of dollars)		
Recoverable operating costs (Note 7)	$ 65,161	$ 58,507	$ 53,394
Deduct: provisional billing	(59,343)	(53,313)	(45,255)
Billing adjustment (Note 5)	**$ 5,818**	**$ 5,194**	**$ 8,139**

The billing adjustment represents the difference between the provisional billing and the actual recoverable operating costs. In accordance with Section 19 of the Regulations, the billing adjustment of $5,818,000 for the current year and $5,194,000 for the prior year will be applied to the provisional billings of 2013 and 2012 respectively. The portion of the 2009 billing adjustment of $8,139,000 that relates to the oil and gas commodity pipelines amounts to $7,214,000 and has been applied to the 2011 provisional billings. The remaining $925,000 relates to the electricity commodity and this amount along with the 2008 electricity commodity billing adjustment of $857,000 was invoiced to electricity exporters in 2011 to finalize their accounts. Effective January 1, 2010, amendments to the *National Energy Board Cost Recovery Regulations* took effect resulting in a change in the obligation for cost recovery from electricity exporters to international and inter-provincial power lines. The billing adjustments for 2011 and 2010 are included in the accounts receivable.

9. Other Payables

Other Payables represents the 2011 Greenfield fees invoiced to external parties. These amounts are recognized as adjustments to other regulated parties and will be settled via reduced billings in 2012.

10. Employee Future Benefits

a) Pension benefits

The NEB's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the NEB contribute to the cost of the Plan. The 2011 expense amounts to $5,274,000 (2010 - $5,041,000), which represents approximately 1.9 times (2010 – 2.0 times) the contributions by employees, which amounts to $2,764,000 (2010 - $2,494,000).

The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

b) Severance benefits

The NEB provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at the balance sheet date, is as follows:

	2011	2010
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	$ 6,912	$ 7,491
Expense for the year	1,036	(135)
Benefits paid during the year	(431)	(444)
Accrued benefit obligation, end of year	**$ 7,517**	**$ 6,912**

11. Fair Value of Financial Instruments

The carrying amounts of the Board's financial instruments, including accounts receivable, accounts payable and accrued liabilities approximate the fair value because of the short term to maturity. There is no concentration of accounts receivable, and, therefore, there is no significant credit risk.

12. Related Party Transactions

The Board is related, as a result of common ownership, to all Government departments, agencies, and Crown corporations. The NEB enters into transactions with these entities in the normal course of business and on normal trade terms. The Board received the following services without charge from other government departments and agencies which have been recognized in the Statement of Operations for cost recovery purposes.

a) Common services provided without charge by other government departments:

	2011	2010
	(in thousands of dollars)	
Accommodation from Public Works and Government Services Canada	$ 4,803	$ 4,793
Contributions covering the employer's share of employees medical and dental insurance premiums from Treasury Board Secretariat	3,307	3,007
Audit services from the Office of the Auditor General of Canada	150	145
Legal services from Department of Justice	94	104
Payroll and banking services from Public Works and Government Services Canada	23	21
Total	**$ 8,377**	**$ 8,070**

b) Other transactions with related parties:

	2011	2010
	(in thousands of dollars)	
Accounts receivable from other government departments and agencies	$ 416	$ 361
Accounts payable to other government departments and agencies	46	70
Expenses – Other Government departments and agencies	$ 8,130	$ 7,187

13. Contractual Obligations and Contingent Liabilities

a) Contractual obligations

The nature of the NEB's activities can result in some large multi-year contracts and obligations whereby the NEB will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	(in thousands of dollars)
2012	$ 2,766
2013	746
2014	27
2015	7
	$ 3,546

b) Claims and litigation

Claims have been made against the NEB in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. Based on the NEB's assessment, legal proceedings for claims estimated at $4,240,000 ($826,000 in 2010) were pending at December 31, 2011. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

14. Net Financial Assets Indicator

The presentation of the net financial assets indicator and a statement of change in net financial assets are required under GAAP.

Net financial assets are the difference between a government organization's financial assets and its financial liabilities. A statement of change in net financial assets would show changes during the period in components such as tangible capital assets, prepaid expenses and inventories. The NEB is financed by the Government of Canada through appropriations and operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the NEB is deposited to the CRF and all cash disbursements made by the NEB are paid by the CRF. Under this government business model, assets reflected on the NEB's financial statements are not available to use for the purpose of discharging the existing liabilities of the NEB. Future appropriations would be used to discharge existing liabilities.

	2011	2010
Financial Assets		
Due from Consolidated Revenue Fund	$ 4,841	$ 3,815
Accounts receivable and advances	30,011	28,275
Total Financial Assets	34,852	32,090
Financial Liabilities		
Accounts payable and accrued liabilities	$ 5,328	$ 4,223
Other payables	15,700	-
Vacation pay and compensatory leave	2,379	2,123
Employee future benefits	7,517	6,912
Total Financial Liabilities	30,924	13,258
Net Financial Assets Indicator	**$ 3,928**	**$ 18,832**

15. Segmented Information

Presentation by segment is based on the NEB's program activity architecture. This presentation is based on the same accounting policies as described in the Summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major revenue types and major expense type. The segment results for the period are as follows:

	2011				2010
(in thousands of dollars)	Energy Regulation	Energy Information	Internal Services	Total	Total
Revenues					
Regulatory revenue	$ 37,546	$ 8,556	$ 19,059	$ 65,161	$ 58,507
Miscellaneous revenue	17	4	9	30	51
Total	37,563	8,560	19,068	65,191	58,558
Expenses					
Salaries and employee benefits	30,800	7,019	15,635	53,454	48,327
Accommodation	3,404	776	1,728	5,908	5,806
Professional and special services	3,403	775	1,728	5,906	5,754
Travel	1,591	363	808	2,762	2,123
Amortization	846	193	430	1,469	1,268
Communication	539	123	274	936	1,211
Utilities, materials and supplies	502	114	255	871	841
Other expenses	15	3	8	26	33
Total	41,100	9,366	20,866	71,332	65,363
Net Cost of Operations	**$ (3,537)**	**$ (806)**	**$ (1,798)**	**$ (6,141)**	**$ (6,805)**

16. Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.